

ANNUAL FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

KGETLENGRIVIER LOCAL MUNICIPALITY



A hand holding a pen points to a financial statement table. In the foreground, a blue calculator is visible. The table contains financial data for the year ended 30 June 2011.

30	815,073,273	30	1,213,553,540
30	549,630,000	30	928,095,333
31	384,741,000	30	549,630,000
	1,076,839,5	30	1,319,322,322
	677,850,6	30	669,160,269
	591,625,9		
	395,67		
	549		



ANNUAL FINANCIAL STATEMENTS

for

KGETLENGRIVIER LOCAL MUNICIPALITY

for the year ended 30 June: **2011**

Province:

North West

AFS rounding:

R (i.e. only cents)

Contact Information:

Name of Municipal Manager:	S. K. Khote
Name of Chief Financial Officer:	S.E. Mofokeng
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Contact telephone number:	082 553 3843
Contact e-mail address:	enkge@nwpg.gov.za
Name of relevant Auditor:	Auditor General- Bianca Fourie
Contact telephone number:	079 874 9858
Contact e-mail address:	biancaf@agsa.co.za
Name of contact at National Treasury:	Naveen Singh
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KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

General information

Members of the Council

Cllr. O.D. Medupe
Cllr. A.V.R. Kgari

Cllr. O.S. Molusi
Cllr. P.P. Sesika
Cllr. K.K. Tlale
Cllr. M.L. Molefe
Cllr. R.K. Lekabe
Cllr. J.P. Snyman
Cllr. P.S. Robinson
Cllr. B.V.Z. Marais
Cllr. R.P. Zwede
Cllr. P.J. Selolo

Mayor

Chaiperson
Chaiperson - Technical and Infrastructure & Oversight
Committee
Chaiperson- Finance & Human Resources
Chaiperson- Corporate/ Community Services
Chairperson - Local Economic Development
Member
Member
Member
Member
Member

Municipal Manager

S. K. Khote

Chief Financial Officer

S.E. Mofokeng

Grading of Local Authority

2

Auditors

Auditor-General

Bankers

ABSA

KGETLENGRIVIER LOCAL MUNICIPALITY
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General information (continued)

Registered Office:

Koster

Physical address:

Cnr Smuts & De Wet
Koster
0348

Postal address:

Kgetlengrivier Local Municipality
P O Box 66
Koster
0348

Telephone number:

(014) 543 2004

Fax number:

(014) 543 2005

E-mail address:

knotes@kgetlengrivier.gov.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages stipulated on the index, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 21 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Mr S K Khote
Municipal Manager:

06-Sep-11

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KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011			
	Note	2011 R	2010 R
ASSETS			
Current assets			
Inventories	2	2 318 524	1 478 233
Consumer debtors and other receivables	3	17 706 035	13 237 363
Other receivables	4	7 270 226	1 275 233
VAT receivable	6	2 579 942	-
Investments	9	243 151	243 151
Cash and cash equivalents	7	5 448 296	4 424 397
Non-current assets			
Property, plant and equipment	8	136 496 163	125 899 961
Receivables	5	13 903	13 903
Investments	9	15 004 481	18 912 171
Total assets		187 080 720	165 484 413
LIABILITIES			
Current liabilities			
Borrowings	10	-	6 744
Consumer deposits	11	1 278 722	1 276 586
Other liabilities	12	6 115 321	1 805 021
Unspent conditional grants and receipts	13	26 836 511	18 588 434
Trade and other payables	14	25 046 906	14 619 244
Non-current liabilities			
Borrowings	10	-	-
Total liabilities		59 277 461	36 296 029
Net assets		127 803 259	129 188 383
NET ASSETS			
Reserves		-	-
Accumulated surplus / (deficit)		127 803 259	129 188 384
Total net assets		127 803 259	129 188 384

KGETLENGRIVIER LOCAL MUNICIPALITY
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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUN

	Note	2011 R
Revenue		
Property rates	15	3 900 676
Service charges	16	26 744 074
Interest earned - external investments	17	1 808 444
Interest earned - outstanding receivables	17	10 367 712
Government grants and subsidies-operating	27	38 242 863
Government grants and subsidies- capital	27	15 882 709
Rental of facilities and equipment	19	85 150
Agency fees		5 689 198
Fines		3 510 344
Other Revenue		399 090
Total revenue		106 630 260
Expenses		
Employee related costs	20	24 527 391
Remuneration of councillors	21	2 119 246
Depreciation and amortisation expense	22	11 377 175
Bad debts		12 923 939
Finance costs	23	220 811
Repairs and maintenance		8 374 932
Bulk purchases	24	17 482 708
General expenses	25	22 148 890
Total expenses		99 175 093
Gain / (loss) on sale of assets		-
Surplus / (deficit) for the period		7 455 168

IE 2011
2010
R
2 701 562
22 630 615
774 330
8 881 743
29 128 086
12 258 308
64 747
2 899 103
3 580 379
234 725
83 153 599
24 333 047
1 655 263
3 141 935
19 428 053
189 511
4 598 981
10 980 603
17 381 696
81 709 089
-
1 444 510

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STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011		
	Accumulated Surplus/(Deficit)	Total: Net Assets
Note	R	R
Balance at 30 June 2009	194 571 804	194 571 804
Changes in accounting policy: GRAP Implementation		-
Changes in accounting policy: Other		-
Correction of prior period error	11 721 731	11 721 731
Change in accounting estimate		-
Restated balance	206 293 535	206 293 535
Surplus / (deficit) for the period	1 444 510	1 444 510
Surplus / (deficit) on revaluation of property of property, plant and equipment	(11 021 772)	(11 021 772)
Correction of prior period error	(67 527 890)	(67 527 890)
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)	-	-
Restated balance at 30 June 2010	129 188 384	129 188 384
Surplus / (deficit) on revaluation of property of property, plant and equipment		-
Correction of prior period error	(8 840 292)	(8 840 292)
Net gains and losses not recognised in the statement of financial performance		-
Transfers to / from accumulated surplus/(deficit)		-
Surplus / (deficit) for the period	7 455 168	7 455 168
Balance at 30 June 2011	127 803 259	127 803 259
	-	

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ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

CASH FLOW STATEMENT AS AT 30 JUNE 2011			
	Note	2011 R	2010 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		100 016 589	74 297 170
Cash paid to suppliers and employees		(92 882 349)	(49 013 450)
Cash generated from operations	27	7 134 240	25 283 720
Interest received		12 176 157	9 656 073
Finance costs		(220 811)	(189 511)
Dividends		-	-
Net cash flows from operating activities		19 089 586	34 750 283
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of PPE and other assets		(21 973 377)	(22 230 474)
Borrowing costs capitalised		-	-
Proceeds from disposal of PPE and other assets		-	-
Proceeds from sale of investments		3 907 690	(2 772 569)
Purchase of foreign currency securities		-	-
Net cash flows from investing activities		(18 065 687)	(25 003 043)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	(6 744)
Repayment of borrowings		-	-
Repayment of finance lease liability		-	-
Net cash flows from financing activities		-	(6 744)
Net increase / (decrease) in net cash and cash equivalents		1 023 899	9 740 496
Net cash and cash equivalents at beginning of period		4 424 397	-5 316 098
Net cash and cash equivalents at end of period	28	5 448 296	4 424 398

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

ISSUED BUT NOT YET EFFECTIVE	STANDARD APPLIED
GRAP 18 Segment Reporting	No applicable
GRAP 21 Impairment of non-cash-generating assets	IAS 36
GRAP 23 Revenue from Non-Exchange Transactions	GAMAP 9
GRAP 24 Presentation of Budget Information in Financial	Applied
GRAP 25 Employee Benefits	IAS 19
GRAP 26 Impairment of cash generating assets	IAS 36
GRAP 103 Heritage Assets	Not applicable

1.6 RESERVES

1.6.1 Revaluation Reserve

(If Realised through use)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

(If Realised on disposal)

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised on the disposal of the property, plant and equipment. On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Mark-to-Market Reserve

Gains and losses arising from available-for-sale financial assets are recognised in equity and not the statement of financial performance except for impairment losses and foreign exchange gains and losses until the asset is derecognised. On derecognition the cumulative gains or losses previously recognised in equity shall be transferred to the statement of financial performance as a reclassification adjustment. Gains and losses from interest calculated using the effective interest method, as well as dividends from available-for-sale equity instruments are excluded from these gains and losses.

1.7 PROPERTY, PLANT AND EQUIPMENT

1.7.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the initial estimate of the costs of dismantling and removing the asset and restoring the site on which it is located. Including import duties and non-refundable taxes.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

1.7.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses in respect of buildings only.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

1.7.3 SUBSEQUENT MEASUREMENT - COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

1.7 PROPERTY, PLANT AND EQUIPMENT (cont)

1.7.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving -	3-80 years	Buildings	25 years
Pedestrian Malls		Specialist vehicles	5 years
Electricity	3-60 years	Other vehicles	5 years
Water	5-80 years	Office equipment	5 years
	10-40 years	Furniture and fittings	5 years
Community		Watercraft	5 years
Buildings	5-25 years	Bins and containers	5 years
		Specialised plant and equipment	5 years
Recreational Facilities	25 years	Other items of plant and equipment	5 years
Security Halls	25 years	Landfill sites	30 years
Libraries	25 years	Quarries	30 years
Parks and gardens	25 years	Emergency equipment	10 years
Other assets		Computer equipment	3 years
Heritage assets		Other	
Buildings		Other	
Paintings and artifacts	25 years	Other	
	25 years		
Finance lease assets			
Office equipment	3 years		
Other assets	5 years		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

Heritage assets are assets that are defined as culturally significant resources and are not depreciated as they are regarded as having an infinite life which are shown at cost. However, if improvements to heritage assets are conducted and registered as sub-assets and the useful life of the improvements can be determined, the depreciation charge of the relevant property, plant and equipment category is used for the depreciation of the sub-asset which was capitalised against the heritage asset.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance. (Impairment loss of a revalued asset is treated as a revaluation decrease).

1.7.5 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.7.6 COMPENSATION FOR IMPAIRMENT for items of PPE that were impaired, lost or given up shall be included in surplus or deficit when the compensation becomes receivable.

The municipality has taken advantage of the transitional provisions in Directive 4 of February 2008, on initial adoption of the standard of GRAP on PPE GRAP 17, to comply fully with this standard..

1.8 INTANGIBLE ASSETS

1.8.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

1.8.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test. and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

1.8.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software
Licence

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

1.8.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 INVESTMENT PROPERTY

1.9.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held (by the owner or lessee under a finance lease) to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

1.9.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

1.9.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Property held by a lessee under an operating lease that qualifies as Investment property is always accounted for in fair value mode. *The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property, GRAP 16, to comply fully with this standard..*

1.10 NON-CURRENT ASSETS HELD FOR SALE

1.10.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

1.10.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

1.11 INVENTORIES

1.11.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

1.11 INVENTORIES(cont)

1.11.2.SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are valued at the lower of cost and net realisable value on a specific identification cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

The municipality has taken advantage of the transitional provisions in Directive 4, on initial adoption of the standard of GRAP on Investment Property, GRAP 12, to comply fully with this standard..

1.12 FINANCIAL INSTRUMENTS

1.12.1 INITIAL RECOGNITION

Financial instruments are initially measured at fair value, plus,(in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with IAS 39, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

1.12.2 SUBSEQUENT MEASUREMENT

1.12.2.1 INVESTMENTS

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

The Entity classifies its financial assets into the following categories:

- held-to-maturity;
- loans and receivables;
- available-for-sale; and
- fair value through profit and loss.

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

• Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity, where the Entity has the positive intent and ability to hold the investment to maturity. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

• Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

• Available-for-sale financial assets are financial assets that are designated as available for sale, and are subsequently measured at fair value at Statement of Financial Position date, except for investments in equity instruments that do not have quoted market prices in an active market, and whose fair value cannot be reliably measured, which shall be measured at cost. Any adjustment is recorded in the Statement of Changes in Net Assets in the period in which it arises. When these investments are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. The fair value of financial instruments classified as available-for-sale is their quoted bid price at the Statement of Financial Position date.

• Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

1.12 FINANCIAL INSTRUMENTS (cont)

1.13.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

1.12.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

1.12.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

1.12.3 IMPAIRMENT

• An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

1.13 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions are recognised when the municipality has a present obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The municipality has complied with the transitional provisions in Directive 4 , on initial adoption of the standard of GRAP on Provisions,Contingent Liabilities and Contingent Assets, GRAP 19, in order to comply fully with this standard..

1.14 LEASES

1.14.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. The aggregate benefit of incentives of Operating lease are recognised as a reduction of rental expense on a straight-line basis over the term of the relevant lease.

1.14.2 MUNICIPALITY AS LESSOR

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

1.15 REVENUE

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

1.15.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges

Flat rate service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably.

Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale.

In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on based on the average monthly consumption of consumers.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwelling on each property and connection, using the tariffs approved by Council and are levied monthly.

Sale of goods

Revenue from the sale of goods is recognised when substantially all the risks and rewards of ownership of the goods is passed to the consumer.

Revenue from the sale of even is recognised when all conditions associated with the deed of sale have been met.

Interest, royalties and dividends

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset;

Royalties are recognised as they are earned on a time basis is recognised on a straight-line basis over the period of the agreement. Royalty revenue that is based on production, sales and other measures is recognised in accordance with the substance of the relevant agreement; and

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

1.15 REVENUE(cont)

Agency Services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified.

The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

1.15.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Public donations and contributions

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Deferred income relating to government grants are recognised on the following bases:

- Capital contributions to property, plant and equipment: Credited on a systematic basis to the Statement of financial Performance based on the estimated useful life of the plant and equipment.
- Income-related grants subsidising expenses: Credited to the Statement of Financial Performance as revenue when the related expense is recognised

Contributed property, plant and equipment is recognised at fair value, when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Other

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.15 REVENUE(cont)

1.15.3 GOVERNMENT GRANTS, TRANSFERS AND DONATIONS

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

1.16 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established.

Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

1.17 EMPLOYEE BENEFITS

1.17.1 Short-term employee benefits

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the municipality expected to pay in exchange for that service that had accumulated at the reporting date.

1.17.2 Termination Benefits

Termination benefits are recognised when actions have been taken to indicate that the municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

1.17.3 Retirement benefits

The municipality provides retirement benefits for its employees and councillors.

Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entitling them to the contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the municipality pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than Defined Contribution plans. The defined benefit plans are valued triennially by means of the projected unit credit method. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year in which they become payable.

Past service costs are recognised immediately where the benefit is vested or are amortised on a straight-line basis over the average period that it will take for such benefits to become vested.

The retirement benefit obligations recognised in the Statement of Financial Position represents the present value of the defined benefit obligation, adjusted for unrecognised actuarial gains and losses, unrecognised service cost and the fair value of plan assets. Where an asset results, such asset is limited to unrecognised actuarial losses, past service costs and the present value of available refunds and reductions in future contributions to the plan.

Post employment medical care benefits

The municipality provides post employment medical care benefits to its employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

1.18 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the payments basis

1.23 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for rehabilitation of landfill sites (discount rate used, number of years, amount of cash flows)
Present value of defined benefit obligation
Fair value of plan assets
Provision for doubtful debts
Impairment of assets
Provision for long-term service award
Other

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets
Provisions
Other

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	Note	2011	2010
		R	R
2 INVENTORIES			
Electrical equipment		1 846 559	1 188 854
Water		271 591	248 144
Refuse Bins		162 058	-
Other		38 316	41 234
		<u>2 318 524</u>	<u>1 478 233</u>
3 CONSUMER AND OTHER RECEIVABLES			
	Gross Balances	Impaired debtors written off	Net Balance
	R'000	R'000	R'000
<u>Consumer Debtors</u>			
Current Fin YR			
Rates	8 554 052	7 369 084	1 184 968
Electricity	10 813 275	9 315 343	1 497 932
Water	29 731 918	25 613 241	4 118 677
Sewerage	17 526 247	15 098 387	2 427 860
Refuse	11 052 591	9 521 508	1 531 083
Other	35 926 441	28 980 926	6 945 515
Total	113 604 524	95 898 489	17 706 035
Comparative Fin YR			
Rates	7 154 971	6 272 876	882 095
Electricity	8 854 011	7 766 418	1 087 593
Water	25 584 765	22 436 319	3 148 446
Sewerage	15 816 695	13 873 345	1 943 350
Refuse	10 058 482	8 820 194	1 238 288
VAT	854	-	854
Other	28 742 137	23 805 398	4 936 739
Total	96 211 913	82 974 550	13 237 363
<u>Other receivables</u>			
Other receivables			
<u>Rates: Ageing</u>			
Current (0 – 30 days)		177 098	170 965
31 - 60 Days		162 095	120 307
61 - 90 Days		404 135	92 896
91 - 120 Days		1 118 787	80 593
121 Days +		6 691 937	6 690 209
Total		8 554 052	7 154 971
<u>Electricity, Refuse, Water and Sewerage: Ageing</u>			
Current (0 – 30 days)		2 443 873	84 182
31 - 60 Days		2 015 774	3 863 445
61 - 90 Days		1 994 507	2 161 007
91 - 120 Days		980 354	1 783 975
121 Days +		97 615 964	79 561 373
Total		105 050 472	87 453 982

Reconciliation of the impairment provision

Balance at beginning of the year	82 974 550	63 546 497
Contributions to provision	12 923 939	19 428 053
Impaired debtors written off against provision	-	-
Reversal of provision	-	-
Balance at end of year	95 898 489	82 974 550

4 OTHER RECEIVABLES

Drivers Licences	281 869	300 000
Deposits	66 473	66 473
Unidentified deposits	-	-
Other debtors	6 921 885	908 760
Total Other Debtors	7 270 226	1 275 233

5 RECEIVABLES

Car loans		-
Study loans	13 903	13 903
Housing selling scheme loans		-
Other non-current receivables		-
Total	13 903	13 903

6 VAT PAYABLE / RECEIVABLE

VAT payable/receivable	2 579 942	-
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

7 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash at bank	868 663	1 203 285
Call Investments	4 562 113	3 215 793
Cash on hand	17 520	5 320
	5 448 296	4 424 397

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

Account Number 17-0000-0032 (ABSA)

Cash book balance at end of year	868 663	1 203 285
Bank statement balance at beginning of year	2 219 278	1 840 791
Bank statement balance at end of year	1 145 824	2 219 278

Short Term Call Accounts**Call Account**

Account Number 40-6946-5550 (ABSA)

Bank statement balance at beginning of year	-	1 554 021
Bank statement balance at end of year	4 145 429	-

Call Account

Account Number 40-7406-9020 (ABSA)

Bank statement balance at beginning of year	2 858 424	-
Bank statement balance at end of year	82 677	2 858 424

Call Account

Account Number 40-7406-9151 (ABSA)

Bank statement balance at beginning of year	50 578	-
Bank statement balance at end of year	27 618	50 578

Call Account

Account Number 40-5038 0272 (ABSA)

Bank statement balance at beginning of year	239 506	-
Bank statement balance at end of year	239 666	239 506

Cheque Account

Account Number 40-6045 1122 (ABSA)

Bank statement balance at beginning of year	27 073	-
Bank statement balance at end of year	26 512	27 073

Cash on hand	17 520	5 320
Bank - Fire Emergency	40 211	40 211
Total cash and cash equivalents	5 448 296	4 424 397
Total bank overdraft	-	-

Call investment deposits are investments with a maturity period of less than 3 months and earn interest rates varying from day to day.

Management of the municipality is of the opinion that the carrying value of the Bank Balance and Cash recorded at amortised cost in the financial statements approximate their fair values.

The fair value of Bank Balance and Cash were determined after considering the standard terms and conditions of agreements entered into between the municipality and financial institutions.

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8 PROPERTY, PLANT AND EQUIPMENT

OWNED ASSETS:

8.1 Reconciliation of Carrying Value 30 June 2011	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
Carrying values at beginning of the year	5 698 000	10 875 600	98 810 310	3 806 312	-	6 709 739	125 899 961
Cost/Revaluation	5 698 000	10 875 600	98 810 310	3 806 312	-	6 709 739	125 899 961
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
	-	(1 208 400)	8 049 058	996 800	-	1 707 823	9 545 281
Acquisitions	-	-	933 912	654 271	-	3 387 171	4 975 355
Capital under Construction	-	-	15 447 093	1 550 929	-	-	16 998 022
Depreciation	-	1 208 400	8 331 948	157 480	-	1 679 348	11 377 175
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss							-
Transfers							-
Other*							-
Carrying values at the end of the year	5 698 000	9 667 200	106 859 369	5 854 032	-	8 417 562	136 496 163
Cost/Revaluation	5 698 000	10 875 600	115 191 316	6 011 512	-	10 096 910	147 873 338
Accumulated depreciation and impairment losses	-	1 208 400	8 331 948	157 480	-	1 679 348	11 377 175

Refer to Appendix B for more detail on property, plant and equipment

8.1 Reconciliation of Carrying Value 30 June 2010	Land R	Buildings R	Infrastructure R	Community R	Heritage R	Other Assets R	Total R
Carrying values at beginning of the year	5 056 916	-	174 852 122	-	-	28 852 821	208 761 859
Cost/Revaluation	8 363 773	-	180 132 395	-	-	29 866 381	218 362 550
Accumulated depreciation and impairment losses	(3 306 858)	-	(5 280 273)	-	-	(1 013 560)	(9 600 691)
	-	-	-	-	-	131 908	131 908
Acquisitions	-	-	-	-	-	-	-
Capital under Construction	-	-	19 709 574	2 388 992	-	-	22 098 566
Depreciation	-	-	(2 806 841)	-	-	(559 267)	(3 366 107)
	5 056 916	-	191 754 855	2 388 992	-	28 425 463	227 626 225
Carrying value of disposals	-	-	-	-	-	-	-
Cost/Revaluation	5 698 000	10 875 600	79 100 737	1 417 320	-	6 709 739	103 801 396
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss							-
Transfers							-
*Other movements							-
Carrying values at the end of the year	5 698 000	10 875 600	98 810 310	3 806 312	-	6 709 739	125 899 961
Cost/Revaluation	5 698 000	10 875 600	98 810 310	3 806 312	-	6 709 739	125 899 961
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-

Refer to Appendix B for more detail on property, plant and equipment

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	Note	2011	2010
		R	R
9 INVESTMENTS			
<u>Held to maturity Investments</u>			
Fixed Deposits		13 456 320	17 495 772
Less: Short term portion		243 151	243 151
		<u>13 213 169</u>	<u>17 252 621</u>
 <u>Available for sale Investment</u>			
Listed Investments		1 791 312	1 659 550
		<u>1 791 312</u>	<u>1 659 550</u>
 10 BORROWINGS			
Annuity Loans		-	6 744
		-	<u>6 744</u>
Less : Current portion transferred to current liabilities		-	6 744
Annuity Loans		-	6 744
 Longterm Borrowings		-	-
 11 CONSUMER DEPOSITS			
Water and electricity		1 278 722	1 276 586
Total consumer deposits		<u>1 278 722</u>	<u>1 276 586</u>
No interest is paid on consumer deposits.			
 12 OTHER FINANCIAL LIABILITIES			
12.1 OTHER NON-CURRENT FINANCIAL LIABILITIES			
Other non-current financial liabilities		-	-
12.2 OTHER CURRENT FINANCIAL LIABILITIES			
Other current financial liabilities		6 115 321	1 805 021

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

Note	2011	2010
	R	R
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
13.1 Unspent Conditional Government Grants-Capital	24 915 332	18 588 434
MIG	12 204 939	5 860 931
BPDM	10 464 344	7 967 515
DMEA	3 270 766	3 618 067
PROIG	(1 351 693)	980 160
Library Grant	(2 662)	(2 662)
Anglo-Boer Monument Grant	72 771	72 771
Kaffers Kraal Grant	95 040	40
RDP Grant	161 828	91 613
Other	-	-
13.2 Unspent Conditional Government Grants-Operating	1 921 180	(0)
MSIG	-	(0)
FMG	-	-
Provincial Government Cleaning Campaign Project Grant	1 470 365	-
BPDM Support Grants	450 815	-
Total Unspent Conditional Grants and Receipts	26 836 511	18 588 434

See Note 18 for reconciliation of grants and receipts. These amounts are invested in ring-fenced investment until utilised.

14 TRADE AND OTHER PAYABLES

Trade creditors	11 027 096	1 861 876
Payments received in advance	266 810	270 482
Retentions	3 618 289	2 776 740
Staff leave accrual	1 950 118	1 606 906
VAT liability provision (payment basis)	8 184 593	8 103 239
Other creditors	-	-
Total creditors	25 046 906	14 619 244

15 PROPERTY RATES

Actual		
Residential	1 294 490	1 562 905
Commercial	1 255 591	1 017 251
State	253 870	58 798
Agriculture	1 096 725	62 608
	-	-
Total property rates	3 900 676	2 701 562
Property rates - penalties imposed and collection charges	-	-
Total	3 900 676	2 701 562

Valuations

Residential	427 796 400	12 345 626
Commercial	151 510 000	4 131 350
State	95 701 200	545 700
Agriculture	1 139 058 130	780 500
Total Property Valuations	1 814 065 730	17 803 176

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2010. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

Various rates apply for the different categories which are applied to property valuations to determine assessment rates. Rates are levied on a monthly basis on property owners.

Interest on overdue accounts is charged at prime plus 1% and is adjusted as and when the prime rate is changed by the reserve bank.

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
Note	R	R
16 SERVICE CHARGES		
Sale of electricity	16 964 603	13 760 510
Sale of water	5 752 675	5 348 212
Refuse removal	1 319 665	1 404 602
Sewerage and sanitation charges	2 707 130	2 117 290
Total Service Charges	26 744 074	22 630 615
17 INTEREST RECEIVED		
17.1 Interest on Investments	1 808 444	774 330
17.2 Interest on Outstanding Debtors	10 367 712	8 881 743
Total interest	12 176 157	9 656 073
18 GOVERNMENT GRANTS AND SUBSIDIES		
Operating Grants	38 242 863	29 128 086
Equitable share	32 605 115	25 131 405
FMG Grant	3 000 000	2 750 000
MSIG Grant	750 000	1 129 810
LG Seta	194 780	116 871
BPDM Support Grants	1 192 968	-
Library Grant	500 000	-
Capital Grants	15 882 709	12 258 308
MIG	9 776 409	2 547 569
BPDM	-	194 643
DMEA	387 496	2 997 769
PROIG	5 718 803	6 368 246
Library Grant	-	45 518
KKG Erven	-	94 960
RDP Grant	-	9 603
Total Government Grant and Subsidies	54 125 572	41 386 394
18.1 Equitable Share	32 606 115	25 131 405
18.2 MIG		
Balance unspent at the beginning of the year	(5 860 931)	(14 860 216)
Current year receipts	(13 802 000)	(11 959 000)
Conditions met-transferred to revenue	7 457 992	20 958 285
Conditions still to be met-transferred to liabilities	(12 204 939)	(5 860 931)
18.3 BPDM		
Balance unspent at the beginning of the year	(7 967 515)	(7 812 158)
Current year receipts	(2 496 829)	(350 000)
Conditions met-transferred to revenue	-	194 643
Conditions still to be met-transferred to liabilities	(10 464 344)	(7 967 515)
18.4 MSIG		
Balance unspent at the beginning of the year	-	(394 810)
Current year receipts	(750 000)	(735 000)
Conditions met-transferred to revenue	750 000	1 129 810
Conditions still to be met-transferred to liabilities	-	0
18.5 FMG		
Balance unspent at the beginning of the year	-	-
Current year receipts	(3 000 000)	(2 750 000)
Conditions met-transferred to revenue	3 000 000	2 750 000
Conditions still to be met-transferred to liabilities	-	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
Note	R	R
18 GOVERNMENT GRANTS AND SUBSIDIES(Continued)		
18.6 DME Grant		
Balance unspent at the beginning of the year	(3 618 067)	(6 615 836)
Current year receipts	-	-
Conditions met-transferred to revenue	347 302	2 997 769
Conditions still to be met-transferred to liabilities	<u>(3 270 766)</u>	<u>(3 618 067)</u>
18.7 Provincial Grant (PROIG)		
Balance unspent at the beginning of the year	(980 160)	(2 348 406)
Current year receipts	(3 500 000)	(5 000 000)
Conditions met-transferred to revenue	5 831 853	6 368 246
Conditions still to be met-transferred to liabilities	<u>1 351 693</u>	<u>(980 160)</u>
18.8 Library Grant		
Balance unspent at the beginning of the year	2 662	-
Current year receipts	(500 000)	(300 000)
Conditions met-transferred to revenue	500 000	302 662
Conditions still to be met-transferred to liabilities	<u>2 662</u>	<u>2 662</u>
18.9 Anglo-Boer War Monument Grant		
Balance unspent at the beginning of the year	(72 771)	(72 771)
Current year receipts	-	-
Conditions met-transferred to revenue	-	-
Conditions still to be met-transferred to liabilities	<u>(72 771)</u>	<u>(72 771)</u>
18.10 Kaffers Kraal Grant		
Balance unspent at the beginning of the year	(40)	-
Current year receipts	(95 000)	(95 000)
Conditions met-transferred to revenue	-	94 960
Conditions still to be met-transferred to liabilities	<u>(95 040)</u>	<u>(40)</u>
18.11 RDP Grant		
Balance unspent at the beginning of the year	(91 613)	(101 216)
Current year receipts	(70 215)	-
Conditions met-transferred to revenue	-	9 603
Conditions still to be met-transferred to liabilities	<u>(161 828)</u>	<u>(91 613)</u>
18.11 Cleaning Campaign Project		
Balance unspent at the beginning of the year	-	-
Current year receipts	-1 986 000	-
Conditions met-transferred to revenue	515 635	-
Conditions still to be met-transferred to liabilities	<u>(1 470 365)</u>	<u>-</u>
18.11 BPDM Support Grants		
Balance unspent at the beginning of the year	-	-
Current year receipts	-1 873 783	-
Conditions met-transferred to revenue	1 422 968	-
Conditions still to be met-transferred to liabilities	<u>(450 815)</u>	<u>-</u>

Based on the allocations set out in the Division of Revenue Act), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

19 RENTAL OF FACILITIES AND EQUIPMENT

Rental of facilities	85 150	64 747
Total rentals	<u>85 150</u>	<u>64 747</u>

20 EMPLOYEE RELATED COSTS

Employee related cost - Salaries and wages	16 969 388	16 239 306
Employee related cost - Social contributions	4 557 277	3 963 681
Travel, motor car, accommodation & other allowances	1 318 201	1 998 781
Housing benefits and allowances	215 826	123 362
Overtime benefits	946 626	25 172
Leave provision	520 073	1 982 745
Long-service awards	-	-
Other employee related costs	-	-
Total Employee Related Costs	<u>24 527 391</u>	<u>24 333 047</u>

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note	R	R
20 EMPLOYEE RELATED COSTS(cont)			
Remuneration of the Municipal Manager			
Annual Remuneration		499 779	515 157
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		375 624	262 369
Contributions to UIF, Medical and Pension Funds		-	1 497
Total		875 403	779 023
Remuneration of the Chief Finance Officer			
Annual Remuneration		491 392	243 378
Performance- and other bonuses		-	-
Travel, motor car, accommodation, subsistence and other allowances		184 795	51 262
Contributions to UIF, Medical and Pension Funds		-	374
Total		676 187	295 014

Remuneration of Individual Executive Directors

2011

	Technical Services R'000	Corporate Services R'000	
Annual Remuneration	433 067	433 067	
Performance- and other bonuses	-	-	
Travel, motor car, accommodation, subsistence and other allowances	165 387	165 387	
Contributions to UIF, Medical and Pension Funds	-	-	
Total	598 454	598 454	-

2010

	Technical Services R'000	Corporate Services R'000	Community Services R'000
Annual Remuneration	86 409	398 560	369 949
Performance- and other bonuses	-	-	-
Travel, motor car, accommodation, subsistence and other allowances	32 808	100 944	78 648
Contributions to UIF, Medical and Pension Funds	374	-	-
Total	119 591	499 504	448 597

No performance bonuses were paid out in terms of Section 57 of the Municipal Systems Act.

21 REMUNERATION OF COUNCILLORS

Mayor	550 780	404 507
Councillors	1 568 466	1 250 756
Total Councillors' Remuneration	2 119 246	1 655 263

In-kind Benefits

The Mayor is full time and is provided with an office and secretarial support at the cost of Council.

22 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment	11 377 175	3 141 935
Total Depreciation and Amortisation	11 377 175	3 141 935

23 FINANCE COSTS

Bank overdrafts	220 811	189 511
Total Finance Costs	220 811	189 511

24 BULK PURCHASES

Electricity	16 803 002	10 328 764
Water	679 706	651 839
Total Bulk Purchases	17 482 708	10 980 603

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note		
		R	R
25 GENERAL EXPENSES			
Included in general expenses are the following:-			
ADVERTISEMENTS, PRINTING &		796 891	729 194
AUDIT FEES		1 587 455	570 754
CHEMICALS		688 177	503 088
COMPUTER SUPPORT - CONTRACT		113 034	62 254
ENTERTAINMENT COSTS		138 428	251 633
FUEL & OIL		1 192 227	1 413 467
INSURANCE		234 377	279 248
LEGAL FEES		499 483	792 954
MEMBERSHIP FEES		104 940	139 256
PHOTO COPIER MAINTENANCE CO		250 957	222 763
PROFESSIONAL FEES		5 609 460	4 428 442
POSTAGE		306 294	-
RENT OF EQUIPMENT		259 055	1 018 603
REVENUE ENHANCEMENT: METER		261 006	-
TELEPHONE & FAX		262 909	469 724
TRAINING		522 589	193 567
TRAVELLING AND ACCOMODATION		986 415	398 620
VALUATION CERTIFICATE		141 566	246 431
OTHER		3 628 584	1 880 197
LICENSE FEES		1 909 281	3 781 503
LED: SPECIAL PROJECTS		776 750	
SECURITY AND ACCESS CONTROL		792 073	
TOWNSHIP DEVELOPMENT		1 086 940	
		22 148 890	17 381 696
26 GAIN / (LOSS) ON DISPOSAL OF ASSETS			
Property, plant and equipment		-	-
Intangible assets		-	-
Investment property		-	-
Other financial assets		-	-
Total Gain / (Loss) on Disposal of Assets		-	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011	2010
		R	R
27 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		7 455 168	1 444 510
Adjustment for:-			
Non-cash items:		-	-
(Gain) / loss on sale of assets		-	-
Contribution to provisions - non-current		-	-
Contribution to provisions - current		(417 200)	377 300
Depreciation and amortisation		11 377 175	3 141 935
Fair value adjustments - increase in the provision for bad debts		12 923 939	19 428 053
Impairment loss / (reversal of impairment loss)		-	-
Cash items			
Finance costs		220 811	189 511
Interest received		(12 176 157)	(9 656 073)
Prior period error - prior year expenses written to accumulated surplus		(3 297 631)	-
Operating surplus before working capital changes:		16 086 106	14 925 236
(Increase)/decrease in inventories		(840 291)	342 538
(Increase)/decrease in trade receivables		(10 463 665)	2 234 552
(Increase)/decrease in VAT receivable		(2 579 942)	96 768
Increase/(decrease) in conditional grants and receipts		8 248 077	5 032 374
Grants written off to accumulated surplus during the year		(18 049 401)	-
Increase/(decrease) in trade payables		14 737 963	2 315 858
Increase/(decrease) in consumer deposits		2 136	42 084
Increase / (decrease) other current asset- short term investments			(50 078)
Increase/(decrease) other current liabilities & borrowings		(6 744)	344 388
Cash generated by/(utilised in) operations		7 134 239	25 283 720

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	5 448 296	4 424 397
Bank overdrafts	-	-
Net cash and cash equivalents	5 448 296	4 424 397

UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

29 DISALLOWED

29.1 Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance -

Fruitless and wasteful expenditure current year

Condoned or written off by Council

Fruitless and wasteful expenditure awaiting condonement

-	-
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Incident	Disciplinary steps/criminal proceedings
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KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	Note	R	R
ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE			
30 MANAGEMENT ACT			
30.1 Contributions to organised local government			
Opening balance		-	-
Council subscriptions		104 940	107 278
Amount paid - current		(104 940)	(107 278)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		-	-
30.2 Audit fees			
Opening balance		416 788	774 678
Current year audit fee		1 587 455	212 864
Amount paid - current year		(1 013 768)	(570 754)
Amount paid - previous years		(416 788)	-
Balance unpaid (included in payables)		573 687	416 788
30.3 VAT			
VAT input receivables and VAT output payables are shown in note 6. All VAT returns have been submitted by the due date throughout the year.		2 579 942	5 611 788
30.4 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		2 346 737	2 285 117
Amount paid - current year		(2 139 935)	(2 285 117)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		206 802	-
30.5 Pension and Medical Aid Deductions			
Opening balance		-	-
Current year payroll deductions and Council Contributions		6 635 322	5 933 166
Amount paid - current year		(6 067 826)	(5 933 166)
Amount paid - previous years		-	-
Balance unpaid (included in payables)		567 497	-
30.6 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at: -	Total	Outstanding less than 90 days	Outstanding more than 90 days
	R'000	R'000	R'000
Curr Fin Yr			
Cllr. O.D. Medupe	13 618	13 041	
Cllr. A.V.R. Kgari	-	-	
Cllr. P.P. Sesika	6 103	5 871	
Cllr. K.K. Tlale	7 746	5 603	
Cllr. R.K. Lekabe	1 393	-	
Cllr. J.P. Snyman	953	-	
Cllr. M.L. Molefe	207	128	
Cllr. P.S. Robinson	-	-	
Cllr. B.V.Z. Marais	-	-	
Cllr. R.P. Zwede	1 080	994	
Cllr. P.J. Selolo	1 257	-	
Total Councillor Arrear Consumer Accounts	18 738	-	-
During the year the following Councillors had arrear accounts outstanding for more than 90 days.			
31 Deviations from Supply Chain Management Policy			
Refer to Appendix G		-	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**Non-Compliance Municipal Finance Management
32 Act**

1. Late submission of all financial information required by section 11, 52, 66, and 71 of the Municipal Finance Management Act.
2. Certain creditors not paid within 30 days
3. Annual report not submitted within prescribed timeframes
4. 2009-10 Annual Financial Statements not submitted within the prescribed time frames.

33 CAPITAL COMMITMENTS

33.1 Commitments in respect of capital expenditure

- Approved and contracted for

Cemeteries: Reagile
 Reagile Paving of Roads
 Redirile Water Reticulation
 Upgrading of Koster Substation
 Purchasing of Tractor
 Purchasing of Refuse Compactor
 Purchasing of Tipper Truck

	5 994 737	-
KRLM TEC/BID:10/2010-11	55 803	
KRLM TEC/BID:15/2010-11	917 004	
KRLM TEC/BID:12/2010-11	3 340 461	
KRLM TEC/BID:14/2010-11	305 472	
KLM TEC/BID:20/2010-11	285 000	
	1 090 996	

34 CONTINGENT LIABILITY

34.1 Claim for damages (Loss of Income)

1 458 668

1. HI Lebusa/ Kgetlengrivier Local Municipality -
 Dispute on termination of employment contract of the
 former Chief Financial Officer- R 619 380,30.

2. LG Jele/ Kgetlengrivier Local Municipality - Dispute
 on termination of employment contract - R 839 288,04.

34.2 Bulk water account dispute – DWAE

1 020 693

The municipality is disputing the two invoices (August 2010 - R491 431,41) and (February 2011 - R529 261,18), the monthly average account for extraction of water from Koster Dam amounts to R75 000.

34.3 SALA Pension Fund

84 798

The municipality is disputing the amount payable for pension fund. SALA claims R 84 798.45, however, municipality's records shows that this was paid between July 2003 and June 2006.

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

34.3 Replacement of Electrical Cable - Fast Move Electrical

939 531

The municipality is disputing the amount payable for emergency replacement of electrical cable by Fast Move Electrical. The entity has claimed R 939 541. Fast Move Electrical was appointed for upgrading of the mini-substation and the electrical cable was damaged in the process. Thus, the municipality is of an opinion that the costs must be carried by the service provider.

35 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment
Recoverable amounts of property, plant and equipment
Provision for doubtful debts

35 RESTATEMENT OF COMPARATIVE INFORMATION AND CORRECTION OF PRIOR YEAR ERRORS

	<u>Comments</u>	2010 Restatement R	2010 Audited R
Statement of Financial Position:			
Provisions for leave	Correction of overstatement	1 606 906	1 650 639
Cash and Bank	Prior year error correction	1 203 285	(6 605 591)
Accounts Payable	Prior year error correction	1 805 021	944 927
Unspent Grants and Subsidies	Prior year error correction	18 588 434	36 637 836
Fixed Assets	Revaluation of assets	125 899 961	227 626 225
Other Receivables	Prior year error correction	1 275 233	3 140 546
Accumulated Surplus/ (Deficit)	Prior year error correction	129 188 383	207 738 045
		<u>279 567 223</u>	<u>471 132 627</u>
Details on Corrections			
Bank		1 781 457	
Unidentified deposits (Current Liabilities)		(1 781 457)	
Bank		2 773 519	
Bank		3 253 899	
Leave Provision (Current liabilities)		43 732	
Unspent Grants (Current liabilities)		18 049 401	
Accumulated Surplus (Deficit)		78 549 662	
Assets (PPE)		(101 726 264)	
Town Hall Deposits		(943 950)	
		<u>(0)</u>	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX A
SCHEDULE OF EXTERNAL LOANS

External Loans	Loan No. Redeemable	Balance at 30 June 2009	Interest paid during the period	Received during the period	Redeemed or written off during the period	Balance at 30 June 2010
		R	R	R	R	R
LONG TERM LOANS						
Lening Kosterdam@16.05%		6 744	822		6 744	-
Stock Loan@ %						-
		6 744			6 744	-
ANNUITY LOAN						
ANNUITY LOAN @ %						-
		-			-	-
Total External Loans		6 744	-	-	6 744	-

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment losses	Closing Balance	Carrying Value	Budget Additions
	R	R	R	R	R	R	R	R		R	R	
INFRASTRUCTURE	79 100 737	933 912	35 156 667	-	115 191 316	-	8 331 948	-	-	8 331 948	106 859 369	-
Roads, pavements, bridges & stormwater	10 574 193	86 990	4 619 843		15 281 026	-	2 423 987			2 423 987	12 857 039	
Water reservoirs & reticulation	27 776 451		11 333 349		39 109 800	-	3 635 785			3 635 785	35 474 015	
Car parks, bus terminals & taxi ranks					-	-				-	-	
Electricity reticulation	13 690 731	846 922	5 786 810		20 324 464	-	927 203			927 203	19 397 260	
Sewerage purification & reticulation	27 059 362		13 416 665		40 476 027	-	1 344 972			1 344 972	39 131 054	
Housing												
Street lighting												
Refuse sites												
Other (town planning & development)												
COMMUNITY ASSETS	1 417 320	14 697	3 939 921	-	5 371 938	-	157 480	-	-	157 480	5 214 458	-
Establishment of parks & gardens						-						
Sports fields	608 400				608 400	-	67 600			67 600	540 800	
Community halls	504 000				504 000	-	56 000			56 000	448 000	
Libraries	276 120				276 120	-	30 680			30 680	245 440	
Recreational facilities						-				-	-	
Clinics						-				-	-	
Museums & art galleries						-				-	-	
Other (fire services & cemeteries)	28 800	14 697	3 939 921		3 983 418	-	3 200			3 200	3 980 218	

KGETLENGRIVIER LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

APPENDIX B
ANALYSIS OF PROPERTY, PLANT & EQUIPMENT

	HISTORICAL COST					ACCUMULATED DEPRECIATION						
	Opening Balance	Additions/ Transfers	Under Construction	Disposals	Closing Balance	Opening Balance	Additions/ Transfers	Disposals	Impairment losses	Closing Balance	Carrying Value	Budget Additions
	R	R	R	R	R	R	R	R		R	R	
OTHER ASSETS	23 283 339	4 026 745	-	-	27 310 084	-	2 887 748	-	-	2 887 748	24 422 337	-
Other motor vehicles	5 613 186				5 613 186	-	1 183 395			1 183 395	4 429 791	
Plant & equipment		2 192 133			2 192 133	-	42 009			42 009	2 150 124	
Office equipment	1 096 553	941 139			2 037 692	-	119 082			119 082	1 918 609	
Abattoirs					-	-				-	-	
Security measures (including fencing)					-					-	-	
Civic land & buildings					-					-	-	
Other land & buildings	16 573 600				16 573 600	-	1 208 400			1 208 400	15 365 200	
Other (including IT)		893 474			893 474	-	334 862			334 862	558 612	
LEASED ASSETS												
SPECIALISED VEHICLES	-	-	-	-	-	-	-	-	-	-	-	-
Refuse												
Fire												
TOTAL	103 801 396	4 975 355	39 096 588	-	147 873 338	-	11 377 175	-	-	11 377 175	136 496 163	-

KGETLENGRIVIER LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2011

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R	R	R	R	R	R	R	R	R	
Executive & Council	3 441 383	183 651		-	3 625 035	-	728 580	-	728 580	2 896 455
Finance & Admin	11 972 153	1 388 632		-	13 360 786	-	1 649 903	-	1 649 903	11 710 883
Planning & Development	5 688 000	-		-	5 688 000	-		-	-	5 688 000
Health	-			-	-			-	-	-
Community & Social Services	818 920	599 877	3 939 921	-	1 418 797	-	109 068	-	109 068	5 249 649
Public Safety	-	90 010		-	90 010	-	4 287	-	4 287	85 723
Sport & Recreation	608 400	129 271		-	737 671	-	71 074	-	71 074	666 597
Environmental Protection	-	-		-	-	-		-	-	-
Waste Management	27 059 362	-	13 416 665.28	-	27 059 362	-	1 344 972	-	1 344 972	39 131 054
Road Transport	12 745 996	1 736 990	4 619 843	-	14 482 986	-	2 906 303	-	2 906 303	16 196 526
Water	27 776 451		11 333 349	-	27 776 451	-	3 635 785	-	3 635 785	35 474 015
Electricity	13 690 731	846 922	5 786 810	-	14 537 653		927 203	-	927 203	19 397 260
Other										
Total	103 801 396	4 975 355	39 096 588	-	108 776 750	-	11 377 175	-	11 377 175	136 496 163

KGETLENGRIVIER LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2011

2010			2011		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
21 837 659	28 257 266	(6 419 607)	50 300 332	36 153 798	14 146 534
17 403 565	13 291 890	4 111 675	850 000	8 447 038	(7 597 038)
-	6 150 270	(6 150 270)	16 069 160	4 765 048	11 304 112
-	936 374	(936 374)	-	-	-
114 759	1 831 427	(1 716 669)	571 543	4 743 902	(4 172 359)
-	-	-	9 600	-	9 600
-	1 840 308	(1 840 308)	-	204 684	(204 684)
-	-	-	-	-	-
3 520 138	5 325 549	(1 805 411)	4 027 015	5 984 031	(1 957 016)
18 807 953	4 346 439	14 461 515	9 199 892	10 535 007	(1 335 115)
7 645 332	5 603 367	2 041 965	8 615 333	8 453 676	161 658
13 762 265	14 036 041	(273 776)	16 987 383	19 887 908	(2 900 525)
61 928	90 160	(28 231)			
83 153 599	81 709 090	1 444 510	106 630 259	99 175 092	7 455 168
			Less: Inter-Department Charges		
83 153 599	81 709 090	1 444 510	106 630 259	99 175 092	7 455 168
			Total		
83 153 599	81 709 090	1 444 510	106 630 259	99 175 092	7 455 168

KGETLENGRIVIER LOCAL MUNICIPALITY
APPENDIX E
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE : BUDGET VS ACTUAL
for the year ended 30 June 2011

2010/11 Budget			2010/11 Actuals		
Budgeted Income	Budgeted Expenditure	Budgeted Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R	R	R	R
26 824 090	15 873 473	10 950 617	50 300 332	36 153 798	14 146 534
20 110 892	18 622 370	1 488 522	850 000	8 447 038	(7 597 038)
-	1 458 293	(1 458 293)	16 069 160	4 765 048	11 304 112
5 320	2 904 650	(2 899 330)	-	-	-
3 457 397	3 445 452	11 945	571 543	4 743 902	(4 172 359)
9 600	-	9 600	9 600	-	9 600
1 890	2 476 197	(2 474 307)	-	204 684	(204 684)
1 948 579	2 545 525	(596 946)	-	-	-
2 098 000	7 755 695	(5 657 695)	4 027 015	5 984 031	(1 957 016)
11 474 744	12 865 107	(1 390 364)	9 199 892	10 535 007	(1 335 115)
8 695 667	5 010 480	3 685 187	8 615 333	8 453 676	161 658
25 911 579	17 105 566	8 806 013	16 987 383	19 887 908	(2 900 525)
100 537 757	90 062 809	10 474 949	106 630 259	99 175 092	7 455 168
100 537 757	90 062 809	10 474 949	106 630 259	99 175 092	7 455 168
Total					

KGETLENGRIVIER LOCAL MUNICIPALITY
APPENDIX F
CONDITIONAL GRANTS RECONCILIATION (DISCLOSURE IN TERMS OF SECTION 123 OF MFMA ACT 56 OF 2003
for the year ended 30 June 2011

NAME OF GRANTS	NAME OF ORGAN OF STATE	QUARTERLY RECEIPTS					QUARTERLY EXPENDITURE					BALANCE	DID MUNICIPALITY COMPLY WITH THE GRANT
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Total	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Total		
Municipal Infrastructure Grant	Department of Cooperative Governance	6 200 000.00	7 000 000.00	602 000.00	-	13 802 000.00	1 999 177.81	1 878 090.85	1 887 382.78	2 732 428.15	8 497 079.59	5 304 920.41	Yes
Provincial Infrastructure Grant	North West Department of Local Government		3 500 000.00			3 500 000.00	-	791 468.70	-	4 558 333.98	5 349 802.68	-1 849 802.68	Yes
Provincial Infrastructure Grant: Cleaning Campaing	North West Department of Local Government			1 986 000.00		1 986 000.00	-	-	-	515 635.33	515 635.33	1 470 364.67	Yes
Financial Management Grant	National Treasury	3 000 000.00				3 000 000.00	570 117.30	722 217.22	832 029.75	875 635.73	3 000 000.00	-	Yes
Municipal Systems Improvement Grant	Department of Cooperative Governance	750 000.00				750 000.00	170 250.00	99 578.12	359 369.42	120 802.46	750 000.00	-	Yes
Library Grant	North West Department of Sports, Arts and Culture	500 000.00				500 000.00	124 124.08	123 294.05	127 372.91	125 208.95	500 000.00	-0.00	Yes
BPDM Revenue Enhancement Strategy Grant	Bojanal Platinum District Municipality	300 000.00				300 000.00					-	300 000.00	N/A
BPDM Accounting Support Grant	Bojanal Platinum District Municipality	963 783.00				963 783.00	555 092.40	259 752.96	30 578.88	-	845 424.24	118 358.76	Yes
BPDM Indigent Verification	Bojanal Platinum District Municipality	200 000.00				200 000.00	-	-	-	-	172 194.00	27 806.00	Yes
BPDM Compliance and Improvement of Financial Management Controls	Bojanal Platinum District Municipality	180 000.00				180 000.00	175 350.00	-	-	-	175 350.00	4 650.00	Yes
BPDM Hand over report	Bojanal Platinum District Municipality				30 000.00	30 000.00	-	-	-	-	30 000.00	-	Yes
BPDM Service Delivey and Budget Implementation Plan [Strategig Planning]	Bojanal Platinum District Municipality				200 000.00	200 000.00	-	188 050.00	-	-	-	11 950.00	Yes
Grand Total		12 093 783.00	10 500 000.00	2 588 000.00	230 000.00	25 181 783.00	3 594 111.59	3 874 401.90	3 236 733.74	8 928 044.60	19 805 485.84		

KGETLENGRIVIER LOCAL MUNICIPALITY
for the year ended 30 June 2011

Appendix G
DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT POLICY

	Deviation			
	Date	Service Provider	Amount	Reason for deviation
	21 July 2010	KPT Consulting Engineers	R 169 998.25	Emergency call out to Koster substation
	26 July 2010	KPT Consulting Engineers	R 171 271.34	Repair Swartryggens substation and Rodenia sewerage pump station
	20 July 2010	Moleofi Trading and Projects	R 13 860.00	Print and bind documents presentation for select committee on finance
	09 September 2010	D.K Botlhale Trading	R 87 981.89	Electrical materials urgently needed
	01 December 2010	Magnavolt Trading 819 cc	R 24 354.96	Emergency supply and installation of 118.5kw motor pump at Swartruuggens
	05 January 2011	Momar	R 18 439.50	Sewer chemicals bought
	13 January 2011	Bell Equipment	R 81 848.03	Repair of Swartruuggens TLB